

Barton v. Commissioner, 97 T. C. 548 (1991)

The Tax Court has jurisdiction to determine overpayments including increased interest under section 6621(c) when a taxpayer alleges an overpayment in response to a deficiency notice.

Summary

In *Barton v. Commissioner*, the Tax Court clarified its jurisdiction to determine overpayments, including increased interest under section 6621(c), when a taxpayer alleges such an overpayment following a notice of deficiency. The case involved the Bartons, who were assessed tax and increased interest due to partnership-level adjustments but claimed they had overpaid the increased interest. The Tax Court held that, unlike its jurisdiction over deficiencies, it has the authority to consider overpayments of section 6621(c) interest when a deficiency notice is issued, emphasizing the court's role in fully resolving tax disputes.

Facts

Andrew P. Barton, Jr. , and Ann Barton were limited partners in the Barrister Equipment partnership. Adjustments to partnership items resulted in tax assessments and increased interest under section 6621(c) for the Bartons. After the partnership-level proceedings concluded, the Commissioner issued a notice of deficiency for additional taxes related to these adjustments for the years 1980, 1983, 1984, and 1985. The Bartons filed a petition challenging the deficiency and claimed they had overpaid the section 6621(c) interest, asserting it was improperly assessed because the underlying underpayment was not due to a tax-motivated transaction.

Procedural History

The Commissioner moved to dismiss and strike the Bartons' claim for overpayment of section 6621(c) interest, citing the Tax Court's decision in *White v. Commissioner*, which held that the court lacked jurisdiction over such interest in deficiency proceedings. The Tax Court initially granted this motion but reconsidered upon the Bartons' motion, ultimately vacating the dismissal order as it pertained to the section 6621(c) interest.

Issue(s)

1. Whether the Tax Court has jurisdiction to determine the propriety of the Commissioner's assessment of increased interest under section 6621(c) when a taxpayer alleges an overpayment of such interest in response to a notice of deficiency.

Holding

1. Yes, because section 6601(e)(1) provides that interest shall be treated as tax for

purposes of determining an overpayment under section 6512(b), and the Tax Court's jurisdiction extends to all issues regarding overpayments in years properly before the court.

Court's Reasoning

The Tax Court distinguished this case from *White v. Commissioner*, where it lacked jurisdiction over section 6621(c) interest in deficiency proceedings due to section 6601(e)(1)'s exclusion of interest from the definition of "tax" for deficiency purposes. The court noted that section 6601(e)(1) does not apply the same exclusion to overpayment determinations under section 6512(b), allowing interest to be treated as tax for overpayment jurisdiction. The court emphasized the intent of Congress to enable the Tax Court to fully resolve tax disputes, avoiding bifurcated litigation over taxes and interest. It also considered the practical implications, such as ensuring taxpayers have a judicial avenue to contest the assessment of increased interest, which could not be determined at the partnership level.

Practical Implications

This decision expands the Tax Court's jurisdiction to consider overpayments of increased interest under section 6621(c) when a deficiency notice is issued, ensuring a comprehensive resolution of tax disputes within one forum. Practitioners should now be aware that challenging an overpayment of such interest is possible within the Tax Court when responding to a deficiency notice. This ruling simplifies the process for taxpayers seeking relief from potentially improper assessments of increased interest, and it may reduce the need for additional litigation in other courts. Subsequent cases, such as *Estate of Baumgardner v. Commissioner*, have similarly recognized the Tax Court's broad jurisdiction over overpayments, reinforcing the practical significance of *Barton* in tax litigation.